

Teachers' Retirement System

State Administration And Veteran Affairs Committee

November 16, 2012

TYPE OF PLAN

Montana Teachers' Retirement System (TRS) is a **'Defined Benefit Plan.'**

Benefits to be paid are based on your years of service and average final compensation, **NOT** on your account balance.

The State of Montana assumes the burden and any risks of investment decisions.

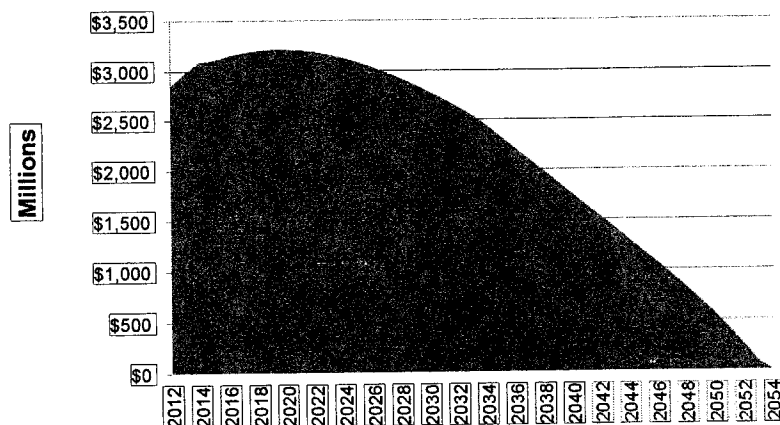
A **'Defined Contribution Plan'** is a savings plan that pays benefits based on your account balance. Plan participants assume the burden of any risk of investment decisions.

Funding Results July 1, 2012

	July 1, 2012 Valuation	July 1, 2011 Valuation
Total Normal Cost Rate	9.65%	9.64%
Less Member Rate	<u>7.15%</u>	<u>7.15%</u>
Employer Normal Cost Rate	2.50%	2.49%
Rate to Amortize UAL	<u>7.46%</u>	<u>7.47%</u>
Total Employer Statutory Rate	9.96%	9.96%
Actuarial Accrued Liability	\$4,814.7 million	\$4,658.6 million
Actuarial Value of Assets	\$2,852.0 million	\$2,866.5 million
Unfunded Accrued Liability	\$1,962.7 million	\$1,792.1 million
Minimum Required Statutory Contribution Rate Increase in order to Fund System within Parameters Defined by Funding Policy	4.89%	3.53%

Projected Asset Depletion

(If funding continues at current levels)



Funding Summary

- As of July 1, 2012, TRS has a \$1.96 billion unfunded liability.
- Current statutory contribution rates already fund 55% of that liability, leaving a shortfall of about \$870 million.
- Based on the 2012 actuarial valuation, this represents a 4.89% gap between current contribution rates and being actuarially funded over 30-years. In short, TRS needs additional funding of approximately \$36 million a year.
- If the legislature does nothing in 2013, TRS will need to have 9.00% rates of return, year over year, in order for the system to be actuarially sound as required by the MT Constitution. This is not acceptable!